



Independent Stock Idea

November 5, 2008

rating: buy
s&p 500: 953

Total S.A. (TOT) Geographic Appeal

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 9/30/09 (US\$m)</i>	30,700
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	1
<i>Price (US\$/sh)</i>	53.74	<i>Natural Gas and Oil Production/Ebitda (%)</i>	76
<i>Pricing Date</i>	11/5/08	<i>Adjusted Reserves/Production NTM</i>	9.4
<i>Shares (mm)</i>	2244	<i>EV/Ebitda</i>	4.5
<i>Market Capitalization (US\$m)</i>	121,000	<i>PV/Ebitda</i>	7.1
<i>Debt (US\$m)</i>	17,000	<i>Undeveloped Reserves (%)</i>	49
<i>Enterprise Value (EV) (US\$m)</i>	137,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.90
<i>Present Value (PV) (US\$m)</i>	219,000	<i>Present Value Proven Reserves(US\$/boe)</i>	15.58
<i>Net Present Value (US\$/share)</i>	90	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.60
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.50
<i>McDep Ratio - EV/PV</i>	0.63	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	5.3	<i>Indicated Annual Dividend (US\$/sh)</i>	2.86
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 bu.			
For historical analysis of TOT since 2004 see www.mcdep.com/1tot.htm			

Summary and Recommendation

Buy-recommended **Total S.A. (TOT)** offers unlevered appreciation potential of 59% to estimated net present value (NPV) of \$90 a share. On October 28, we reset NPV from \$125 a share on the basis of a long-term oil price assumption of \$75 a barrel, down from \$100. Patience may be necessary as TOT stock price remains below the 200-day average of \$73. Released today, third quarter results displayed strength in unlevered cash flow (Ebitda) driven by crude oil and natural gas prices. Futures prices now look lower for the next four quarters (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](#)). Total's upstream volume trend was better than for peers (see chart [Oil and Gas Production Volume](#)). The advantage becomes less if it is considered on a per share basis because the French major has reduced shares outstanding by repurchase less than peers (see chart [Common Shares Outstanding](#)). Downstream operations have tracked that of peers with less volatility (see chart [Oil and Gas Downstream Cash Flow](#)). We like Total for geographical diversification, financial strength, capable management, a 5.3% secure dividend and a low McDep Ratio of 0.63 amid a range of 0.60 to 0.83 for six major oil companies.

Kurt H. Wulff, CFA



Independent Stock Idea

November 5, 2008

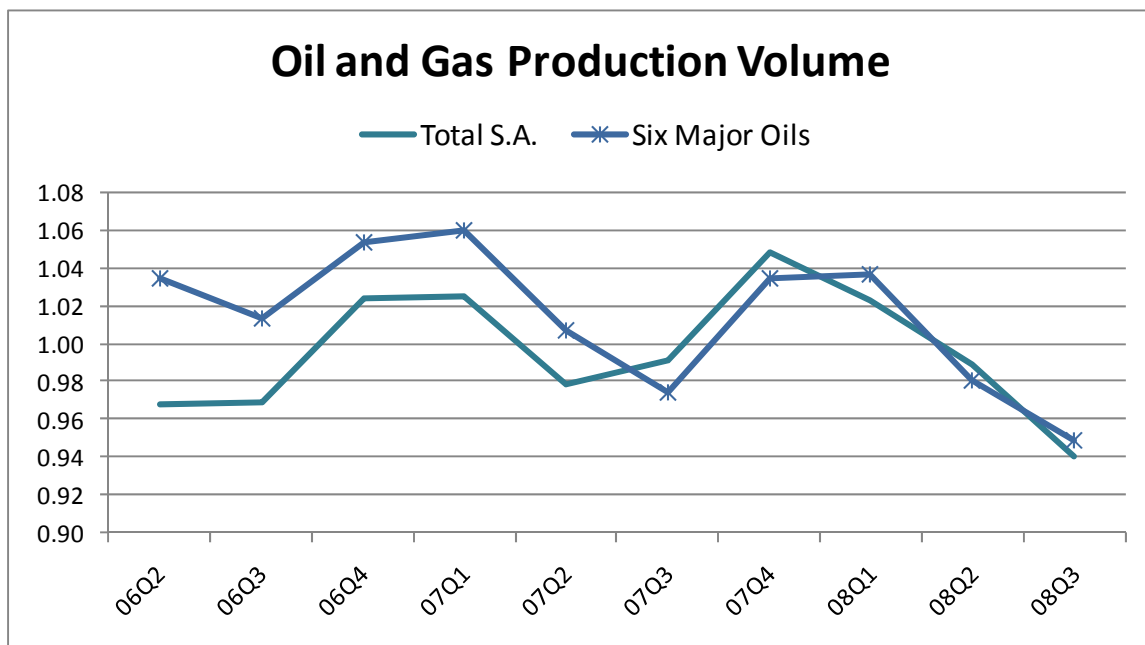
Total S.A.									
Next Twelve Months Operating and Financial Estimates									
	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/07	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	9/30/09	9/30/09
Volume									
Natural Gas (mmcf/d)	4,741	4,772	4,471	5,223	4,877	4,989	4,772	4,471	4,863
Days	92	91	92	92	366	90	91	92	365
Oil (mbd)	1,481	1,471	1,409	1,409	1,450	1,409	1,409	1,409	1,409
Total gas & oil (mmb)	209	206	198	210	827	202	201	198	810
Total gas & oil (mbd)	2,271	2,266	2,154	2,280	2,262	2,241	2,204	2,154	2,220
Price									
Dollar (euro/\$)	1.37	1.56	1.51	1.30	1.47	1.30	1.30	1.30	1.30
Natural gas (\$/mmbtu)	4.83	7.29	8.05	6.08	7.00	6.67	7.29	8.05	6.98
Oil (\$/bbl)									
WTI Cushing	75.48	123.97	117.99	68.14	102.01	65.30	67.42	69.39	67.57
Brent	74.70	121.20	115.10	66.48	99.87	63.71	65.77	67.69	66.05
Company	71.40	114.90	107.80	62.26	93.02	59.67	61.60	63.40	61.74
Total gas & oil (\$/bbl)	56.64	89.93	87.22	52.42	74.72	52.37	55.16	58.18	54.49
NY Harbor 3-2-1 (\$/bbl)	12.64	14.94	11.84	5.40	9.94	5.31	10.44	8.40	7.39
Europe (\$/t)	23.90	40.20	45.00	30.10	34.98	24.60	40.20	45.00	34.98
Revenue (mmeuro)									
Natural gas	1,533	2,026	2,193	2,248	8,486	2,304	2,436	2,548	9,536
Oil	7,077	9,845	9,254	6,210	33,618	5,821	6,077	6,323	24,432
Total production	8,610	11,872	11,447	8,457	42,104	8,126	8,513	8,871	33,967
Other	25,341	31,428	32,592	32,592	125,571	32,592	32,592	32,592	130,368
Total	33,951	43,300	44,039	41,049	167,675	40,718	41,105	41,463	164,335
Expense									
Production	3,739	5,716	5,580	4,086	20,214	3,953	4,147	4,325	16,511
Other	24,020	30,187	30,610	31,259	119,905	31,482	31,351	30,610	124,702
Ebitda (mmeuro)									
Production	4,871	6,156	5,867	4,482	22,001	4,307	4,512	4,702	18,003
Other	1,321	1,241	1,982	1,333	5,666	1,110	1,241	1,982	5,666
Total Ebitda	6,192	7,397	7,849	5,815	27,667	5,417	5,753	6,684	23,669
Exploration	135	203	144	144	681	144	144	144	576
Deprec., Deplet., & Amort.	1,310	1,384	1,329	1,329	5,336	1,329	1,329	1,329	5,316
Excess tax and other	(1,023)	(1,976)	(1,707)						
Operating Income									
Upstream	4,861	6,964	6,525						
Downstream	566	744	1,215						
Chemicals	343	78	343						
Total operating income	5,770	7,786	8,083						
Excess tax and other	1,023	1,976	1,707						
Ebit									
Ebit	4,747	5,810	6,376	4,342	21,650	3,944	4,280	5,211	17,777
Interest	131	91	127	127	473	127	127	127	508
Ebt									
Ebt	4,616	5,719	6,249	4,215	21,177	3,817	4,153	5,084	17,269
Income Tax	1,616	2,002	2,187	1,475	7,412	1,336	1,454	1,779	6,044
Net Income (mmeuro)									
Net Income	3,000	3,717	4,062	2,740	13,765	2,481	2,699	3,304	11,225
Shares (millions)									
Shares	2,273	2,253	2,244	2,244	2,249	2,244	2,244	2,244	2,244
Per share (euro)	1.32	1.65	1.81	1.22	6.12	1.11	1.20	1.47	5.00
Ebitda Margin (E&P)	57%	52%	51%	53%	52%	53%	53%	53%	53%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Independent Stock Idea

November 5, 2008

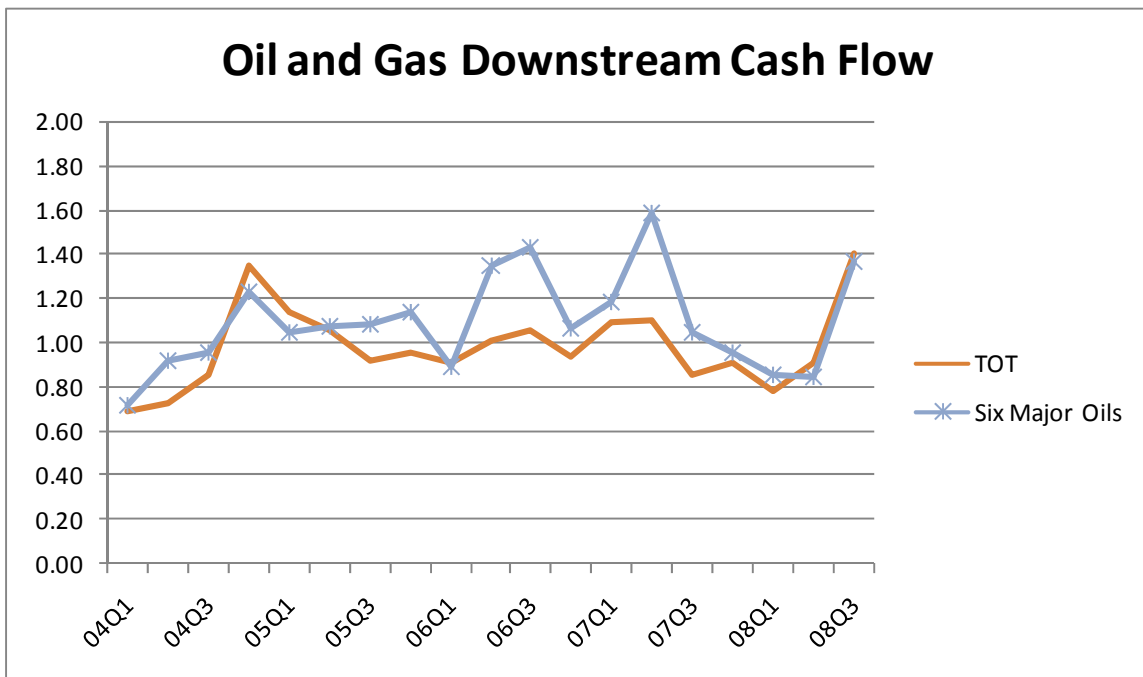
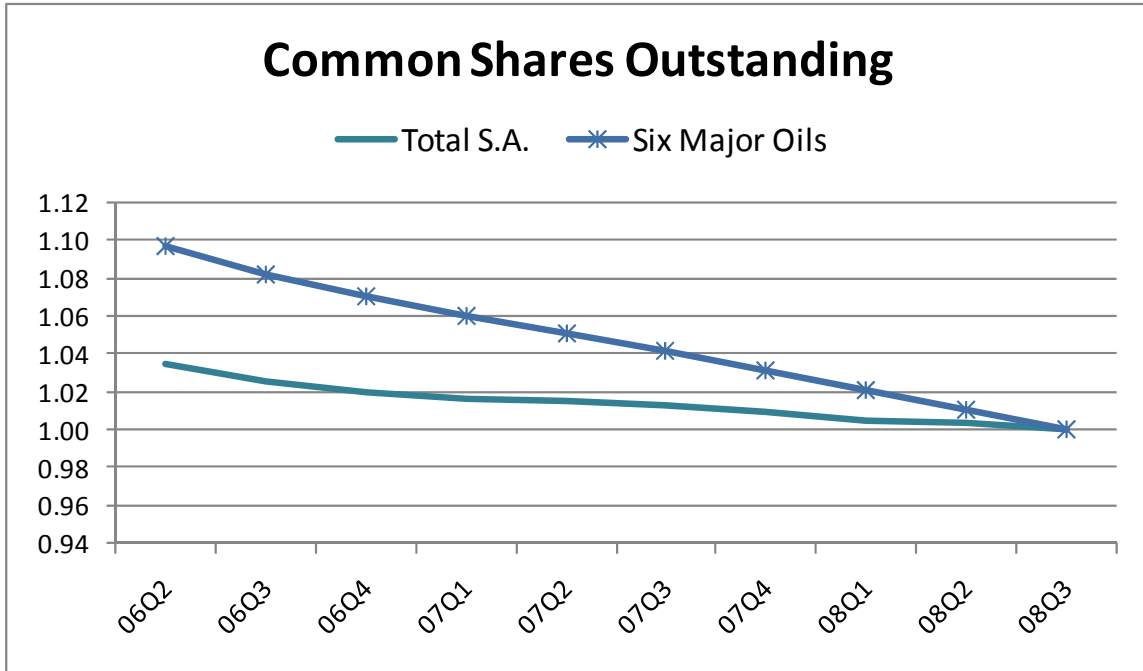
Total					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
Rest of World Natural Gas	6,580	10.9	8.4	55,000	25%
Oil	16,850	8.5	6.8	114,000	52%
Downstream	7,370		6.8	50,000	23%
	30,800	9.4	7.1	219,000	100%
Debt (US\$mm)					17,000
Net Present Value (US\$mm)					202,000
Shares (mm)					2,244
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					90
Note: Downstream includes about \$10 billion present value for the company's 12% ownership of pharmaceutical company Sanofi-Aventis.					





Independent Stock Idea

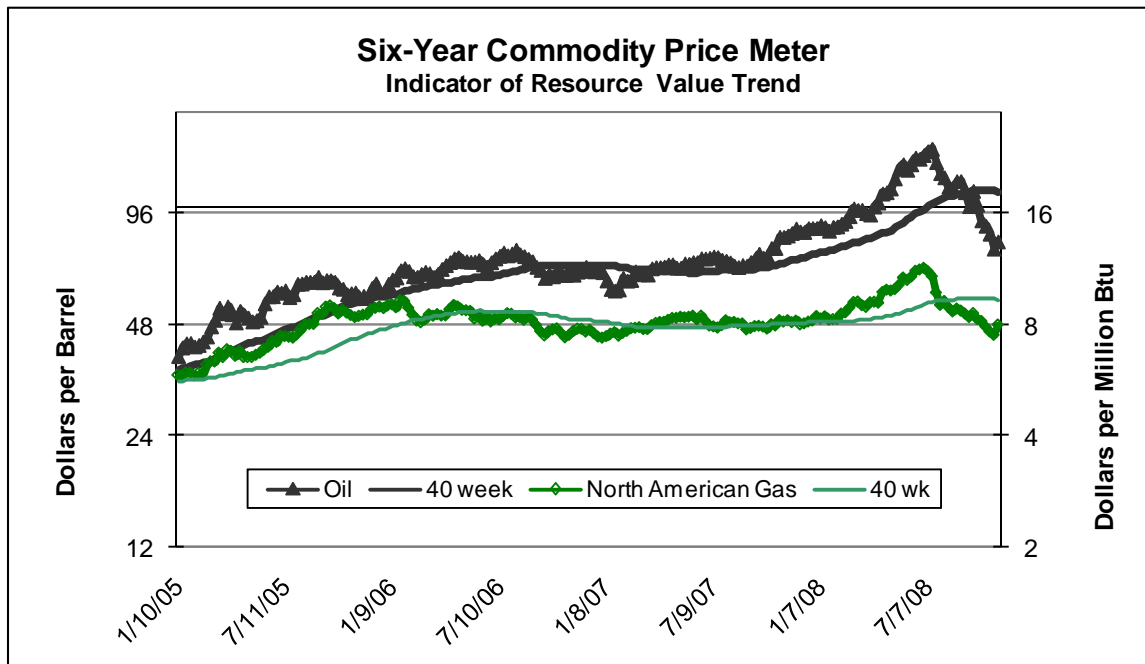
November 5, 2008





Independent Stock Idea

November 5, 2008



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 does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

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 thirty 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.